EPRA

EPRA Monthly Brief

A round-up of current European real estate-related news, our Association's activities, and long-term regulatory issues, which you may have missed but which will not miss you.

9 May 2016

It is a very interesting time for listed real estate in Europe. In Germany, we are witnessing an exceptional growth of the listed residential property market. In Spain, we are observing the launch of the first European petrol station REIT. Polish authorities are drafting legislation to introduce a REIT regime, while the Belgian market is reporting a very active year.

I am excited to see these positive developments, because the European listed real estate sector has a great growth potential and I am convinced that this only the beginning.

Philip Charls
EPRA CEO

German listed residential sector booming

The last five years have witnessed enormous growth in Germany's listed residential property market. Since May 2011, the German Residential Index (within the EPRA Developed Europe Index) grew by 1305%, from EUR 2.3bn to EUR 32.4bn, whereas the EPRA Global Residential Index grew just under 163% in total. This exceptional growth can be attributed to the new entrants to the market and mergers between German listed real estate companies. Since January 2013, Germany has seen three large and successful residential real estate IPOs, with total proceeds of EUR 2.2bn, which were all fast-tracked into the EPRA Developed Europe Index (Vonovia, LEG Immobilien, and ADO Properties). TLG Immobilien, which raised EUR 375m, was also immediately added to the Index. When looking at the total size of the real estate market in Germany there is further room for growth: only 2.7% of German real estate is listed, against an average of 4.9% in Europe and 9.7% in the global developed markets.

First listed petrol station

Kingbook, soon to become the 20th listed SOCIMI (listed corporation for investment in the real estate market), will be the first company in Europe to bring petrol stations to the stock exchange. As reported by El Confidencial, the company aims to invest about €300m in some 100 service stations in Spain, representing about 3% of the assets in the sector. EPRA welcomes the move of expanding the real estate investment trust (REIT) funding mechanism to infrastructure assets. Historically, infrastructure REITs invest in assets which include transportation, energy, utilities, and communication. While infrastructure REITs are well established the US, it still is an area with untapped potential in Europe. Read more in AURA.

Growth opportunity in Poland

The idea of launching REITs in Poland has been discussed by Polish authorities since 2007, when the Infrastructure Ministry was looking into the introduction of a REIT structure. REITs are now being revisited by the current Law and Justice (PiS) government, which has already started working on legislation. EPRA understands that the current proposal would exclude investment in residential properties. The Warsaw Stock Exchange (WSE) is coordinating the project, which will eventually be overseen by the Ministry of Finance. The introduction of REITs has widespread backing in the Polish real estate community. A first conference on the outlook for REITs in Poland was held at the end of April in Warsaw, with the opening presentation given by Tobias Steinmann, EPRA Public Affairs Director.

Asian investors eye Europe

Hardly a week passes without yet another high-profile Asian institutional property investment in Europe being announced, like the recent $189 million acquisition of 30 South Colonnade on London's Canary Wharf by China's HNA Group. Asian investors are actively looking at European real estate investment trusts (REITs) for long-term stable return and dividend yields especially amid current negative interest rates environment. Going overseas appear to be an inevitable trend in light of continuously growing assets and increasingly competitive markets. Second-tier cities in Europe are becoming more appealing as some biggest markets turn mature. Germany, France, Spain, Italy and the UK are the most attractive countries, and the residential sector is gaining more attention from both insurance companies and fund houses.

Let's talk real estate

The 2016 edition of REALTY, the most important gathering of real estate professionals of the year in Belgium and Luxembourg, is shaping up to be the "year of the investor" with Belgium, and the large Brussels market in particular, firmly back on the radar of institutions, fund managers and listed real estate companies. International investors, such as those from China and the Middle East, have started to move from European markets further up the property cycle, like London and Paris, to others, including Brussels, where there is perceived to be more upside left in values. During the REALTY Trade fair, EPRA, in partnership with PropertyEU, will host an Investment Seminar, with Laurent Carlier from Befimmo, Xavier Denis from Cofinimmo and Laurent Ternisien from EPRA to address the current position of the listed industry in Europe and look specifically at the outlook for the Belgian REIT market.

Additional reading

- Do tactical opportunities still exist in property or are the real returns exclusively a long-term play? *Clear Path Analysis*
- EPRA Industry Newsletter, May edition
- EPRA Monthly Market Review, April 2016

Selection for your agenda

- **12 May**: RICS Cross Border Valuation Conference (Brussels, Belgium)
- **24-26 May**: REALTY (Brussels, Belgium)
- **25 May**: EPRA Investment Seminar (Brussels, Belgium)
- **7-9 June:** REITWeek® 2016: NAREIT's Investor Forum® (New York City, U.S.)
- **8 June:** BPF Annual Conference: Building the Future (London, UK)
- **8 June:** ZIA Tag der Immobilienwirtschaft 2016 (Berlin, Germany)
- **6-8 Sept**: EPRA Annual Conference (Paris, France)

EPRA is the European Public Real Estate Association. For more information and our contact details, please visit www.epra.com or email us at info@epra.com.